

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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O R 031842Z JUL 75

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TO SECSTATE WASHDC IMMEDIATE 0954

INFO AMEMBASSY BRUSSELS

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FOR ENDERS/PASS EUR/RPE PREEG

E.O. 11652: N/A

TAGS: AGR, OECD

SUBJECT: RABOT PROPOSAL FOR PILOT PROJECT GRAIN RESERVE

1. SUBSEQUENT TO HANDING YOU THE COPY OF THE USDA MEMO REPORTING ON THE JUNE 6 MEETING OF THE OECD RESTRICTED AGRICULTURE HIGH-LEVEL GROUP, WE DISCUSSED RABOT PROPOSAL ON PILOT PROJECT GRAIN RESERVE WITH SIMANTOV OECD SECRETARIA AGRICULTURE HEAD. HIS ACCOUNT AND HIS VIEWS MERIT YOUR ATTENTION IN CONNECTION WITH YOUR IMPENDING MEETING ON GRAIN RESERVES.

2. DISCUSSION ON JUNE 6 TOOK OFF FROM SECRETARIAT PRESENTATION TO EFFECT THAT COMING FEW MONTHS OFFERED OPPORTUNITY TO REBUILD STOCKS EITHER UNILATERALLY OR IN CONCERTATION. THIS LED TO DISCUSSION OF US PROPOSAL IN IWC BOTH RABOT AND THE JAPANESE REPRESENTATIVE WERE EXPECTEDLY NEGATIVE ON US PROPOSAL ARGUING THAT STOCK OF SIZE RECOMMENDED BY US WOULD INEVITABLY HAVE IMPLICATION FOR MARKET STABILITY. IT THEREFORE COULD NOT FUNCTION WITHOUT REFERENCE TO A PRICE TRIGGER NOR COULD IT BE DISASSOCIATED FROM MTN.

SEC GEN VAN LENSY ASKED IN VIEW OF DIFFICULT OUTLOOK FOR LONDON TALKS AND TIME REQUIRED TO NEGOTIATE IN LIMITED OFFICIAL USE

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GENEVA, HOW COULD PROGRESS BE MADE. RABOT IN RESPONSE

SUGGESTED ARRANGEMENT FOR LIMITED TONNAGE ON ORDER OF 4-6 MILLION TONS. STRESSING THIS WAS "PERSONAL" PROPOSAL. HE POINTED OUT SUCH QUANTITY NOT LARGE ENOUGH TO HAVE MARKET DESTABILIZING EFFECT. IF GROUP OF FIVE REPRESENTED IN OECD HLG ON AGRICULTURE COULD REACH AGREEMENT, SUCH PILOT PROJECT WOULD PROVIDE EXPERIENCE IN MANAGING INTERNATIONAL FOOD RESERVE, PENDING AGREEMENT ON MORE FORMAL ARRANGEMENT IN GATT. IN RESPONSE TO QUESTIONS HE SAID NEITHER USSR NOR ARGENTINA WERE NECESSARY TO SUCH AN ARRANGEMENT. HE SAID HE HAD NOT THOUGHT OUT ROLE FOR JAPAN -- WHETHER SHOULD INCLUDE RICE OR FINANCE. ACCORDING TO RABOT AGREED STOCKPILE WOULD BE USED TO MEET ANY EMERGENCY WHICH GROUP OF FIVE WOULD DECIDE. COUNTRY LOCATED CLOSEST TO EMERGENCY SITE WOULD SHIP THE GRAIN IN QUESTION. RABOT SUGGESTED JULY MEETING OF OECD AGRICULTURE HLG TO REACH AGREEMENT ON PROPOSAL.

OTHERS ASKED QUESTIONS BUT WERE NON-COMMITTAL ACCORDING TO SIMANTOV, CANADIANS AND AUSTRALIANS EVINCED SOME INTEREST BUT SUBSEQUENT TO MEETING STATED THEY WOULD NOT PURSUE THIS PROPOSAL SERIOUSLY UNLESS USG IS AGREEABLE.

SIMANTOV FOLLOWED UP A WEEK LATER WITH MISSION AGRICULTURAL ATTACHE HIRSH WHO PHONED USDA WASHINGTON (GOODMAN) AND ON BASIS OF THIS PHONE CALL SIMANTOV WAS TOLD US PREFERRED TO PURSUE ITS OWN PROPOSAL IN LONDON IWC CONTEXT, AND WE DID NOT WISH TO PURSUE A SMALL OR EXPERIMENTAL GRAIN RESERVE SCHEME.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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O R 031842Z JUL 75

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SIMANTOV BELIEVES RABOT'S WORTH
EXPLORING. HE SAYS AT FIRST HE THOUGHT RABOT WAS
MERELY PURSUING A TACTIC TO RELIEVE PRESSURE BEING
BROUGHT TO BEAR BY USG IN LONDON. HE NOW FEELS RABOT
MAY BE SERIOUS (ALTHOUGH HE CAUTIONED WE SHOULD CONFIRM
THIS QUIETLY OURSELVES IN BRUSSELS). SIMANTOV BELIEVES
IDEA HAS MERIT. MAXIMUM 25 MILLION TONS WILL BE AVAIL-
ABLE FOR STOCK REBUILDING IN SEASON NOW BEGINNING. UNDER US
PLAN IF IT WERE APPROVED SIMANTOV BELIEVES, SOME 10 TO 15
MILLION TONS WOULD BE STOCKPILED FROM THIS SEASON'S
CROP. SUCH AMOUNT HE SAYS WOULD PROVIDE MORE FOOD
SECURITY AND FARMERS WOULD HAVE GREATER CONFIDENCE
THAT GOVERNMENT WOULD PREVENT FLUCTUATIONS LEADING TO
GREATER STABILITY IN ACREAGE PLANTING. HOWEVER
SIMANTOV BELIEVES EC AND JAPAN WILL NOT BUY US GRAIN
RESERVE PROPOSAL BEING ADVANCED IN LONDON-STRONGEST
PRESSURE APPLIED. RABOT PROPOSAL MAY BE A FEASIBLE SECOND
BEST. IT WOULD PROVIDE THE HABIT OF MANAGING A STOCK-
PILE COLLECTIVELY. THE SIZE OF THE RABOT PILOT PROJECT
IS SMALL ENOUGH THAT IT WILL NOT RAISE SOME OF THE
PROBLEMS THAT INEVITABLY WILL ARISE WITH A 40-50 MILLION
TON GRAIN STOCKPILE, E.G. WHO WILL HOLD THE STOCK. HE
SAYS THIS SORT OF EMERGENCY STOCKPILE CAN BE HANDLED BY
THE CCC UNDER PRESENT AUTHORITY. ON OTHER HAND SIX
MILLION TONS DOES PROVIDE SOME SECURITY TO THE WORLD.
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IN ROME LAST WEEK SIMANTOV POINTED OUT A PROPOSAL FOR
ONE-HALF MILLION TON GRAIN RESERVE FOR EMERGENCY FAILED
OF ACCEPTANCE. THE RABOT PROPOSAL WOULD FILL A GAP BY
GIVING THE WORLD A STOCKPILE TO DEAL WITH EMERGENCIES
AND GIVE THE PARTICIPANTS EXPERIENCE IN BURDEN SHARING
IN AGRICULTURE AS WELL AS IN DEALING WITH SOME OF THE
KNOTTY PRICE PROBLEMS WHICH WOULD INEVITABLY ARISE IN
THE MANAGEMENT OF A LARGER AND MORE COMPLETE SYSTEM.
TURNER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STORAGE, PROGRAMS (PROJECTS), GRAINS, PROPOSALS (BID), MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP17351
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750231-0307
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750787/aaaadahr.tel
Line Count: 159
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 18 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 APR 2003 by SmithRJ>; APPROVED <03 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RABOT PROPOSAL FOR PILOT PROJECT GRAIN RESERVE
TAGS: EAGR, OECD, (RABOT)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006